A Deep Dive Into Bonyads and How They Work

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1. Executive Summary

For decades, Iran’s post-revolutionary governments have perpetuated a culture of opacity in political and economic dealings. This culture was exacerbated by Iran’s new ruling elites, who in their distrust of the former regime’s capitalist workings founded “bonyads,” or parastatal institutions intended to implement economic justice based on Islamic principles.

These institutions’ lack of accountability created obscurity in the economy, enabling corruption. The result is a sophisticated, interlinked net of rent-seeking networks so complex that not even high-ranking stakeholders can precisely define its contours.

In the Islamic Republic of Iran, corruption is the operating system, but this system is not monolithic.

The kleptocracy runs on opacity

1. The government lacks oversight of parastatal institutions, although they are the country’s main economic players.
2. These parastatal institutions lack transparency in beneficial ownership and financial dealings, which further contributes to their complete lack of accountability. Not only the public, but also policymakers rely on aberrant quotes from politicians, economists and managers who often make up the numbers as they go along.
3. Individual corruption cases are exposed by the government to distract the public from core structural problems. The government scapegoats (and sentences to death) certain
individuals, but the public has no way of verifying the charges or linking these individuals to collusion with high-ranking generals, clerics and politicians. Corruption appears random, but actually, it’s an intricate system that thrives on opacity.

4. Iran’s ideological military, the Islamic Revolutionary Guard Corps (IRGC), is the ultimate beneficiary of this system. Its Sepah Cooperative Foundation is linked to more people and businesses than any other parastatal institution. Its members sit on boards of important companies in all strategic sectors. These companies are, in turn, linked to other important parastatal organizations and, through them, to government institutions.

Charting Iran’s economic landscape

Mapping beneficiary ownership of Iranian companies proves the existence of an integrated kleptocratic network, despite attempts by the ruling powers to make the system appear chaotic. In response to widespread social disenchantment with the stagnant economy and the perceived level of corruption, Iran’s leader, Ayatollah Ali Khamenei, has launched an anti-corruption campaign. In it, individuals accused of corruption are convicted and sentenced to death in non-transparent show trials.

Exposing the companies and people who control kleptocratic networks raises accountability: Politicians can no longer distance themselves from corruption or deflect public ire by scapegoating “perpetrators of economic crimes” while keeping kleptocratic structures intact.

2. Iran’s Leviathan: Bonyads

Summary

Disproportionate economic power lies in the hands of Iran’s para-governmental foundations, or bonyads. Opaque privatization processes launched in the early 2000s have allowed these autonomous organizations to grow into large business conglomerates that paralyze Iran’s private sector. Our research indicates that bonyads are the underlying structure of a network of companies through which Iran’s kleptocrats loot the commons. In our method of mapping beneficial ownership, we reveal an inventory of bonyad-held assets, uncovering their links to government, IRGC, financial institutions and strategic economic sectors.

Iran’s top bonyads identified
Iran’s integrated kleptocratic network consists of the following nine organizations. We have done preliminary research into people and companies linked to all of these bonyads. Additionally, we have identified the following five bonyads as especially relevant and compiled holistic mappings of each:

1. **Mostazafan Foundation**: Often incorrectly described as Iran’s largest bonyad, this religious foundation holds innumerable companies and properties confiscated during the Islamic Revolution. It is also highly active abroad, especially through its subsidiary, Alavi Foundation.

2. **Sepah Cooperative Foundation**: Our research suggests that Sepah Cooperative Foundation is Iran’s largest bonyad in terms of assets, and is the parent of two other strategic IRGC bonyads: The Basij Cooperative Foundation and Khatam al-Anbia.

3. **Khatam al-Anbia**: This is technically not a bonyad, but a for-profit conglomerate. However, it is owned by Sepah Cooperative Foundation, and holds monopolies in strategic sectors including engineering, oil and related downstream industries.

4. **Astan Qods Razavi**: This religious foundation runs a multi-billion-dollar conglomerate out of Mashhad, Iran’s second largest city. Its main subsidiary, Razavi Economic Company, is expanding its real estate portfolio in opaque and deeply corrupt takeovers throughout the country.

5. **Execution of Imam Khomeini’s Order (Setad Ejrai Farmane Imam)**: Tasked with “confiscating illegitimate wealth,” this bonyad has been described by U.S. Secretary of State Mike Pompeo as Ayatollah Khamenei’s “slush fund.” Setad and its main subsidiary, Bonyad Barakat, received a $60 million repayment for an unknown debt from the Iranian government in 2014. It has strong links to the IRGC.

Our database includes thousands of companies and individuals linked to these entities.

### 3. Initial findings

#### Overview

A bonyad is a quasi-governmental institution, military, paramilitary or religious, set up to perform charitable activities on behalf of the Iranian state. Though government-funded, bonyads are completely independent of state oversight. They do not pay taxes or publish financial reports. This opacity has allowed the bonyads to expand their economic activities far beyond their original...
Rather than redistributing wealth, aiding the poor, caring for veterans or pursuing other charitable missions, Iran’s largest bonyads are sprawling, for-profit conglomerates that control thousands of businesses. Bonyads have amassed vast amounts of wealth to the detriment of the rest of the Iranian economy. Their special legal status, along with privileged access to public contracts, gives them a competitive advantage over other companies. In strategic sectors such as oil or telecommunications, bonyads have performed aggressive takeovers of privately owned businesses to achieve monopolies.

**State Capture**

Since their inception in post-revolutionary times, bonyads have been plagued by corruption and mismanagement. They pose a serious economic threat to the Iranian state and taxpayer, but structurally it is difficult to determine where bonyads end and the government begins. The largest bonyads are managed by leading clerics, politicians and the military. Members of the Islamic Revolutionary Guards Corps (IRGC) sit on the boards of important bonyad-run companies in nearly all economic sectors. As bodies set up to promote the revolutionary ideology and culture change, bonyads are legally overseen by the Supreme Leader’s office. In public tenders, lawmakers explicitly favor bonyad-run companies over other bidders. Policymakers, often acting under the pressure of economic factions with stakes in bonyad-run businesses, consistently act against the interests of the government institutions they represent. In the Iranian economy, bonyads are a system that funnels public money into private hands.

**Economic Footprint**

Existing sources on this vary. According to businessman and economist Bijan Khajehpour, the IRGC controls 25 percent of Iran’s economy. French economist Thierry Coville says this number could be as high 80 percent, and an oft-cited quote from 2013 by former deputy industry minister Mohsen Safai Farahani indicates there are 120 bonyad-controlled companies that account for over half of Iran’s GDP. Enumerating the bonyads’ total net worth is impossible because, as outlined above, the bonyads themselves lack recent appraisals of their assets. Our ongoing research shows that one in four companies traded on the Tehran Stock Exchange is directly controlled by a bonyad. This figure fails to account for major companies that are linked to the bonyads through common subsidiaries, or what we call secondary ownership. But our ongoing research indicates that bonyads have influence in 90-100 percent of Iran’s top 100 companies.
Bonyads and the Supreme Leader

Iran watchers often mistakenly identify Ayatollah Ali Khamenei, the supreme leader, as a political and spiritual figurehead who delegates economic management of the country to the government. However, our research shows that Khamenei’s economic power, supported by his economic collusion with the IRGC, is unparalleled by any other Iranian institution.

The lack of transparency inherent to the bonyads’ business operations grants power to those with knowledge of how this integrated kleptocratic network operates, even if that information is only partial. Among Iran’s ruling elite, piecemeal information about corruption networks is leverage against one’s political and business rivals. Under this system, the Office of the Supreme Leader is a central point of power because all state institutions, including the bonyads, are formally accountable to it, even if the office’s information about them is imprecise. Aside from Ayatollah Khamenei himself, one specific individual is noteworthy in this context: The Supreme Leader’s Special Inspector Hossein Fadai, who served in the IRGC and is a former principlist MP. Setad, Bonyad Barakat, Mostazafan Foundation, Astan Qods Razavi and Komiteh Emdad are among the entities he audits and supervises.  

Bonyads regularly challenge the existing power structure, but Ayatollah Khamenei has a vested interest in keeping bonyads unaccountable. Bonyads have repeatedly ignored orders to pay taxes and continue to operate businesses that violate the Islamic Republic’s “revolutionary” principles. Recently, several bonyads have even offered to take over de-facto governance of the country.

A recent story reported by Iranian state media highlights bonyads’ ambitions of total economic and political control. Organizations including Mostazafan Foundation and Setad have suggested to Ayatollah Khamenei that they take over the governing of the country as the government is ineffective, according to state-controlled media. Khamenei rejected the idea.

Occasionally, vocal policymakers scrutinize the bonyads’ lack of accountability or tax-exempt status. Last year, in a meeting of the reformist Islamic Iran Solidarity Party, MP Ali Motahari, called for dismantling tax-exempt organizations overseen by the Office of the Supreme Leader. Previously former president, Mohammad Khatami, attempted to regulate bonyads by creating parallel institutions accountable to his cabinet. However, the bonyads override any legal challenges to their autonomy because the judiciary is closely aligned with the Supreme Leader.
Bonyads and the IRGC

Our research shows that Sepah Cooperative Foundation (BTS), the IRGC’s paramilitary bonyad and main financial vehicle, forms the heart of the bonyad system. BTS is formally accountable to the Supreme Leader’s Office.  

All other bonyads own companies co-owned or co-managed by BTS.

We are beginning to determine the extent of the IRGC’s economic stronghold on the Iranian economy. Even compared to the other bonyads, the IRGC’s Sepah Cooperative Foundation is linked to far more companies and is owed the most money by the Iranian state ($2.5 trillion) due to opaque public contracts in almost every strategic sector, including oil.

Environmental angle

In their quest to maximize profits, bonyad-owned companies have caused significant environmental damage in Iran, in regions already struggling with water shortages and deforestation. Unsustainable construction projects, dams, pollution caused by downstream oil companies and illegal lumbering are just some examples of such environmentally damaging activities. In Iran, environmental degradation is an explosive social issue around which populations across regions and social strata have coalesced.

Bonyads in banking and finance

Each bonyad directly owns banks, credit institutions, investment groups and/or insurance companies. The well-documented case of Samen Credit Institution is an example of how bank account holders risk losing their savings by placing their money into bonyad-controlled banks. However, the Iranian consumer remains generally unaware of the fact that 90-100 percent of Iran’s banks are linked to the bonyads.

Conclusion

Our research has identified the influences on the Iranian economy of five major bonyads—or bonyad–like entities—that appear to swallow up a sizable chunk of the country’s generated wealth through opaque and corrupt schemes. These quasi-governmental institutions are: Mostazafan Foundation, Sepah Cooperative Foundation, Khatam al-Anbia, Astan Qods Razavi and Execution of Imam Khomeini’s Order. Founded after the 1979 revolution with the aim of “redistributing wealth back to the people,” bonyads have instead developed into vehicles that transfer public
money into the private hands of corrupt officials, thus turning the Islamic Republic into a de-facto kleptocracy. International experts on Iran estimate that bonyads control over half of the country’s GDP, but it is near-impossible to assess the bonyads’ assets and revenues due to the endemic lack of transparency and accountability. However, Doublethink research shows that bonyads oversee at least 90 of Iran’s top 100 companies, and at least one in four companies listed on the Tehran Stock Exchange.

Doublethink research also shows that the economic prowess of Supreme Leader Ayatollah Ali Khamenei is unparalleled. Though he is touted as the country’s political and spiritual figurehead, he maintains strong economic ties with the IRGC. We find that Khamenei maintains a vested interest in keeping bonyads unaccountable as they continue to pay no taxes and produce no financial records despite occasional (and half-hearted) outcries from some lawmakers.

**Footnotes**

1. Distrust of the state led to the creation of charities, or bonyads, that paralleled and eventually conflicted with the government’s economic functions. See Ali A. Saeidi Assistant Professor of Sociology (2004) The accountability of para-governmental organizations (bonyads): The case of Iranian foundations, Iranian Studies, 37:3, 479-498, DOI: 10.1080/0021086042000287541

2. In an interview with Tabnak News on 3/28/18, Mohammad Saeedikia, the director of the parastatal Bonyad Mostazafan (Mostazafan Foundation) said it would take at least two years to determine all the bonyad’s holdings and appraise its net worth.


4. Tabnak News asked Saeedikia, the Bonyad Mostazafan director, how it’s possible to prepare financial reports for the organization so that the Supreme Leader’s Office could audit it. “They write up an approximation,” Saeedikia responded. “They write down a number they think is right.”

5. Parastatal institutions are at the core of Iran’s integrated kleptocratic network. For an overview of the structure of parastatal institutions and their cross-links with the
government and the IRGC, please refer to Chart 1.

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7. See Press TV


9. Complete lists of companies and individuals linked to each bonyad are available upon request.

10. In a interview with Tabnak News on 3/28/18, Mohammad Saeedikia, the director of the parastatal Bonyad Mostazafan (Mostazafan Foundation) said it would take at least two years to determine all the bonyad’s holdings and appraise its net worth.

11. Per Article 49 of Iran’s Constitution

12. For example, Iran’s Current Vice President Eshaq Jahangiri represented Mostazafan Foundation as Chairman of the Board of Tehran Cement, a Mostazafan subsidiary traded on the Tehran Stock Exchange, in 2012.

13. Iran’s Ministry of Industry and Mines publishes an annual list of top companies. The latest list is available here.

14. See here

15. In early 2018, Bonyad Mostazafan issued a press release saying that as a “revolutionary organization,” it would “avoid competing with the private sector” by halting all investments in luxury commercial buildings and malls in large cities which are built to distribute foreign brands. However, the bonyad still operates 30 shopping malls in Tehran, according to Saeedikia, its director.

16. “Setad and Mostazafan Foundation, which were established after the fall of the Shah to temporarily manage the assets [possessed following the revolution] have become cartels and economic trusts which dominate part of the country’s economy,” Motahari said.

17. In 2001 Mohammad Khatami’s reformist government founded the Organization for Collection and Sale of State-owned Properties of Iran (OCSSPI), challenging Setad’s monopoly over properties seized according to Article 49 of Iran’s constitution. For the following decade, these two organizations were in conflict over jurisdiction. Chief Justice Sadeq Larijani settled the dispute in a 2013 directive, recognizing Setad as “the only organization with jurisdiction over properties belonging to (the supreme leader).”
18. BTS board of trustees must report to the Supreme Leader and seek approval for any changes to this institution, according to Article 10 of its charter. The BTS charter also states that all its capital belongs to the Supreme Leader and in the event of its dissolution all properties and assets will be turned over to the SL. (Article 23). The charter was approved by the SL on May 13, 1993.

19. Setad and BTS co-own/co-manage 28 companies, while Astan Qods Razavi and BTS co-own/co-manage 12 companies. BTS also co-owns/co-manages 14 companies with Mostazafan Foundation.